

PAC and TPAC 2014
Public Leadership in an Age of Austerity:
Contestability and Conflict?

Local financial and fiduciary management in the UK.

**A strategic state firework fallen to earth or a financial
management initiative awaiting re-ignition?**

Pete Murphy

Nottingham Business School

Public Management and Governance Research Group

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Research Question

Does the development of the local financial and fiduciary management regime in England between 1997 and 2014 reflect the state acting as a 'Strategic' State as defined by the OECD?

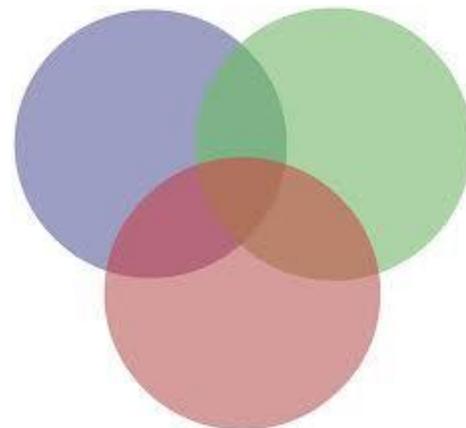


Strategic State – Key parts of the concept

- A **centre within government** as a focal point
- A coherent collective **vision**
- A **leadership hub** for co-ordination and collaboration
- A **Strategic Management System** and
- A robust **evidence base**

Applied to the UK – this is the 2nd Study in a series of 3 from inter-related delivery areas in local authorities

- The **corporate performance** of local authorities and their performance management regimes.
- The **financial performance** of local authorities and their financial management regimes.
- The performance of **Local Authority Services** and their performance regimes.





Why Local Authorities



- Their performance and financial management regimes became the **'model'** for similar regimes across the public services.
- They were **internationally recognised** and replicated.
- They made **sustained and consistent improvements** across all services and parts of the country during the period to 2010.
- There is open access to publically available quality assured, comparable **data and intelligence**.



The previous paper on Corporate Performance

- **Management system** – CSR/PSA system in Central government aligned to performance management in locally delivered services
- **Collective Strategic Vision** – Modernisation, citizen centred services and continuous improvement
- **Leadership, steering, stewardship, oversight and accountability** – Tripartite arrangements and co-increasing production between government, LGA and Independent inspectors and auditors
- The quality and use of the **evidence base**





Previous Conclusions



- Between 1997 and 2010, there was considerable **evidence of all the OECD characteristics of strategic state action** in relation to locally delivered public services.
- This has given way to a **less coherent approach** as the coalition government has prioritized short and medium term reductions in public expenditure and market based responses to public service reform.
- Murphy, P. (forthcoming 30th June 2014) *The Development of the Strategic State and the Performance Management of Local Authorities in England*. In Joyce, P. and Drumaux, A. Eds *Public Organizations: European Practices and Perspectives*

Why look at Financial and Fiduciary Performance?

- During a period of austerity you might expect **more scrutiny and more sophisticated scrutiny** and possibly more support from central government?
- Prior to 2010 - sustained and consistent improvements across all organizations and services in all parts of the country with open **access to publically available quality assured, comparable data and intelligence.**
- Financial framework in local authorities became the 'model' for similar financial assessments of locally delivered across the public services and a **new model** (independently and externally audited) was to be introduced through the National Audit
- It may be possible to do some **international comparisons.**



Methodology and Evidence



1. Pre 2010 – Labour administrations

- Documentary analysis of successive financial and fiduciary assessment, monitoring and public reporting arrangements established between 1999 and 2010.
- Elite interviews of representatives from central and local government, the Audit Commission, Local Government Association and the Improvement and Development Agency.

2. Post 2010 election and the abolition of Audit Commission.

- Documentary analysis of the antecedents of the Local Audit and Accountability Act 2014 from 2010 and the new financial and fiduciary framework for local authorities.
- A series of elite interviews of financial leaders and managers undertaken for an ACCA study appraising strategic financial management in the current era of austerity.



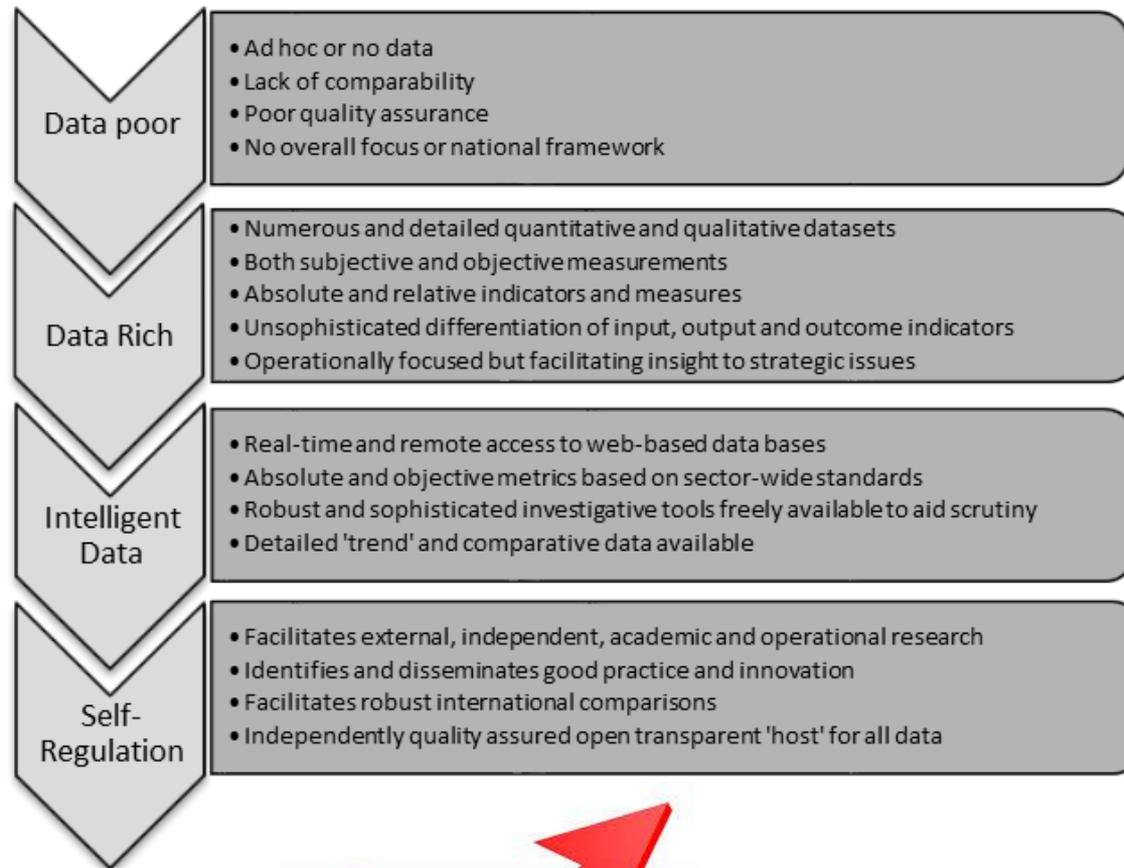
Comparisons of key characteristics (Based upon the OECD definition)

- Strength, coherence and collective buy-in to a strategic **vision**
- Inclusiveness, **co-ordination collaboration and co-operation** of key stakeholders - Integrated consistent and mutually supportive short, medium and long term policies and plans.
- Focused by a **leadership hub** in central government
- Quality and robustness of the **evidential base** assured at national and local levels
- **Openness and transparency** of external scrutiny by public academics and interested parties (horizontal and vertical scrutiny)





The 4 stage development of the evidence base for performance management regimes



Phases of the development of local fiduciary and financial management

- **1997 - 2002** system of Regularity Audits, Value for Money, Public Interest Reports, Nolan Standards culminating in the arrangements under the Best Value regime.
- **2002 - 2004** Round 1 CPA and the first Use of Resources Assessment Framework
- **2005 – 2008 CPA** Harder test included a new corporate Use of Resources framework (Local Government and Health)
- **2009 – 2010** CAA and Use of Resources – collective appraisal
- **2010 -2014** Responsibility transferred from Audit Commission to National Audit Office



Use of Resources under Comprehensive Performance Assessments

2002-2005 – introducing a sector wide regime

- Assessment of annual flows of payments
- Capital and Asset plans
- Workforce targets – equality and diversity
- Evidential base ‘poor’
- **2005-2008 - developing ‘strategic regulation’**
- Medium and long term financial management arrangements
- Management of assets and significant risks
- Leadership and needs of communities not the organisation
- Evidential base data rich and comparative



Use of Resources under Comprehensive Area Assessments



- Sound and **strategic financial management** concentrating on ‘value for money achievements, outputs and outcomes rather than processes’
- Took account of wider **environmental and social** costs in their evaluation of **long term costs and benefits**.
- **Strategic commissioning**, good governance and local cross sector asset management planning with no cost transfer among public services counting as efficiency.
- Real time, remote access, publically available evidence co-ordinated in Joint **Strategic Needs Assessments** for all local areas.

Arrangements for Local Audit under the 2014 Audit and Accountability Act

- Publish **annual** accounts in accordance with the new statutory regulations and relevant **financial reporting** standards (based on private sector audit regime)
- Publish Annual Governance Statements following a review of the effectiveness of **internal** control
- If relevant contribute a Whole of Government Accounts return (£300m+ limit)
- **Data matching** arrangements (really just definitions) for financial returns



Post 2010 Findings

- CSR 2010 initially adopted a 4 year timescale but the focus quickly changed to short term cutback management, (from public service improvement), **vision** - a smaller central and local state
- **Annual financial reporting** rather than financial management
- Key stakeholders have become **less engaged** co-ordinated and integrated with the **loss of the leadership hub** (AC)
- Despite arrangements for data matching - **evidence base is fracturing** with comparative analysis becoming more difficult
- **External scrutiny reducing**, whether by the public, academic or other external organisations, as it gets more difficult..





Conclusions



- **Between 1997 and 2010** the financial and fiduciary performance of local public services were scrutinised by increasingly sophisticated regimes in which the tools and techniques of the financial accountability and external scrutiny processes, were **rapidly developed, continually refined and ultimately combined to form generic organisational accountability frameworks for locally delivered public services.**
- Despite government claims to the contrary the Local Audit and Accountability Act 2014 represent a **significant step backwards** in terms of their collective vision, the strategic leadership role of the central state, and the openness and transparency of local spending decisions to public scrutiny
- The new arrangements **more closely reflect the inadequate system of the 20th century** rather than building on the more sophisticated system developed in the early parts of the 21st century.

Questions?